

## **Program A: Oil and Gas Regulatory**

Program Authorization: La. Const.: Article IX, Sec.1; R.S. 36:351; 30:1

### **PROGRAM DESCRIPTION**

Mineral property rights are important to the economy of Louisiana. A system of regulations is required to ensure that the rights of all parties in the exploration and production of oil and gas can be respected. To this end, this program pursues its mission of regulating the exploration and production of oil and gas under the guidance of and in support of the Commissioner of Conservation. This effort requires extensive geological and engineering study of requests for new wells, unitization requests and other activities related to mineral exploration and production as well as the maintenance of a depository of records. The mission of this program is to protect the correlative rights of all parties involved in the exploration and production of oil and gas resources while minimizing the waste of these mineral resources and of capital investments to acquire them. The goal of this program is to serve the citizens of Louisiana by managing and preserving non-recurring natural resources in the state. This program contains three activities: Oil and Gas Regulation, Remote Site Services, and Plug and Abandoned. The one activity of this program is: Oil and Gas Regulatory.

### **OBJECTIVES AND PERFORMANCE INDICATORS**

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2000-2001. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

**The objectives and performance indicators that appear below are associated with program funding in the Base Executive Budget for FY 2000-01. Specific information on program funding is presented in the financial sections that follow performance tables.**

1. (KEY)To demonstrate success in protecting the correlative rights of all parties involved in oil and gas exploration and production by ensuring that 86% of Conservation Orders from oil and gas hearings are issued within 30 days; that 94% of critical date requests are issued within the requested time frame; and that 97% of all oil and gas Conservation Orders result in no legal challenges.

Strategic Link: Goal I; Objective I.1: To manage a program that provides an opportunity to protect the correlative rights of all parties involved in oil and gas exploration.

Explanatory Note: The recommended funding level of performance assumes the funding of certain fee increases. These increases are included in the Supplementary Recommendation.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of orders issued within thirty days of hearing	Not applicable <sup>1</sup>	98.2%	95.0%	95.0%	96.0%	86.0%
K	Percentage of critical date requests issued within time frame	Not applicable <sup>1</sup>	100.0%	98.0%	98.0%	98.0%	94.0%
K	Percentage of Conservation Orders issued with no legal challenges	Not applicable <sup>1</sup>	100.0%	Not applicable <sup>1</sup>	Not applicable <sup>1</sup>	99.0%	97.0%
S	Number of permits to drill and amend	9,700	10,595	9,700	9,700	10,500	8,400

<sup>1</sup> This indicator was not a standard at the time indicated.

2. To restore 185 orphaned well sites to prevent environmental degradation.

Strategic Link: Goal I; Objective I.2: To restore 800 orphan well sites across the state by 2003.

Explanatory Note: Orphaned wells are improperly abandoned oil or gas wells for which no liable party can be timely identified.

Explanatory Note: The recommended funding level of performance assumes the funding of certain fee increases. These increases are included in the Supplementary Recommendation.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Number of orphaned well sites restored during fiscal year <sup>1</sup>	300	298	160	160	185	185
S	Newly identified orphaned well sites during fiscal year	250	716	450	450	550	550
S	Unrestored orphaned well sites	2,515	3,076	2,900	2,900	3,200	3,200
S	Number of field inspections	Not applicable <sup>2</sup>	11,804	9,000	9,000	12,000 <sup>3</sup>	12,000
S	Number of field violation compliance orders	300	365	400	400	400	400

<sup>1</sup> The number of wells restored is dependent upon revenues received and upon the actual cost of each restoration. The average restoration cost is \$25,000 per site. Sources of funding include Act 404 funds, Louisiana Oil Spill Coordinator's Office funds, and U.S. Environmental Protection Agency and/or U.S. Coast Guard funds.

<sup>2</sup> This indicator was not adopted as a standard in the year indicated.

<sup>3</sup> The estimation of the number of field inspections for FY 1999-2000 was too low. The 12,000 figure is based upon more accurate tracking information. This indicator will be revised in future years to indicate the percentage of wells, pits, facilities and/or fields inspected.

## RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1998-1999	ACT 10 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$1,597,361	\$1,527,691	\$1,527,691	\$1,740,681	\$0	(\$1,527,691)
STATE GENERAL FUND BY:						
Interagency Transfers	1,007,493	2,458,000	2,458,000	2,453,663	2,458,000	0
Fees & Self-gen. Revenues	1,573,321	1,295,650	1,295,650	1,306,898	3,629,151	2,333,501
Statutory Dedications	2,747,600	3,990,930	3,990,930	3,792,160	2,731,358	(1,259,572)
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	2,741	0	0
TOTAL MEANS OF FINANCING	<u><u>\$6,925,775</u></u>	<u><u>\$9,272,271</u></u>	<u><u>\$9,272,271</u></u>	<u><u>\$9,296,143</u></u>	<u><u>\$8,818,509</u></u>	<u><u>(\$453,762)</u></u>
EXPENDITURES & REQUEST:						
Salaries	\$4,031,552	\$4,274,045	\$4,274,045	\$4,688,323	\$4,595,077	\$321,032
Other Compensation	128,615	27,456	27,456	27,456	27,456	0
Related Benefits	892,303	936,109	936,109	977,614	980,613	44,504
Total Operating Expenses	823,874	813,321	813,321	776,772	793,978	(19,343)
Professional Services	209	40,000	40,000	50,000	0	(40,000)
Total Other Charges	939,971	2,863,009	2,863,009	2,617,640	2,421,385	(441,624)
Total Acq. & Major Repairs	109,251	318,331	318,331	158,338	0	(318,331)
TOTAL EXPENDITURES AND REQUEST	<u><u>\$6,925,775</u></u>	<u><u>\$9,272,271</u></u>	<u><u>\$9,272,271</u></u>	<u><u>\$9,296,143</u></u>	<u><u>\$8,818,509</u></u>	<u><u>(\$453,762)</u></u>
AUTHORIZED FULL-TIME						
EQUIVALENTS: Classified	131	131	131	136	124	(7)
Unclassified	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
TOTAL	<u><u>132</u></u>	<u><u>132</u></u>	<u><u>132</u></u>	<u><u>137</u></u>	<u><u>125</u></u>	<u><u>(7)</u></u>

A supplementary recommendation of \$1,215,690, all of which is Fees and Self-generated Revenues, is included in the Total Recommended for this program. Funds will be used to support the operation of this program. This item is contingent on passage of Revenue Enhancement Proposals being offered by the Department of Natural Resources.

## **SOURCE OF FUNDING**

This program is funded Interagency Transfers, Fees and Self-generated Revenues and Statutory Dedications. The Interagency Transfers are from the Oil Spill Contingency Fund (Act 7 of the First Extraordinary Session of 1991) for abatement of certain unauthorized discharges or the threat of discharges in cases in which the commissioner certifies that a viable responsible party cannot be located. Fees and Self-generated Revenues are derived from application fees, regulatory fees and the sale of publications. The Statutory Dedications are derived from the Oil and Gas Regulatory Fund (Act 826 of 1997) for the deposit of the collection of Capable Oil and Capable Gas Production, Class I and Class II Injection Wells fees. (Per R.S. 39:32B. (8), see table below for a listing of expenditures out of each statutory dedicated fund.)

	ACTUAL	ACT 10	EXISTING	CONTINUATION	RECOMMENDED	RECOMMENDED
	1998-1999	1999- 2000	1999- 2000	2000 - 2001	2000 - 2001	OVER/(UNDER) EXISTING
Oil and Gas Regulatory Fund	\$2,747,600	\$3,990,930	\$3,990,930	\$3,792,160	\$2,731,358	(\$1,259,572)

## ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
<b>\$1,527,691</b>	<b>\$9,272,271</b>	<b>132</b>	<b>ACT 10 FISCAL YEAR 1999-2000</b>
			<b>BA-7 TRANSACTIONS:</b>
\$0	\$0	0	None
<b>\$1,527,691</b>	<b>\$9,272,271</b>	<b>132</b>	<b>EXISTING OPERATING BUDGET – December 3, 1999</b>
\$915	\$60,682	0	Annualization of FY 1999-2000 Classified State Employees Merit Increase
\$728	\$48,237	0	Classified State Employees Merit Increases for FY 2000-2001
(\$13,669)	(\$7,435)	0	Risk Management Adjustment
\$0	(\$318,331)	0	Non-Recurring Acquisitions & Major Repairs
(\$702)	(\$702)	0	Rent in State-Owned Buildings
\$4,458	\$4,458	0	Maintenance of State-Owned Buildings
\$0	\$425,565	0	Salary Base Adjustment
(\$97,083)	(\$106,685)	0	Attrition Adjustment
(\$68,864)	(\$68,864)	(7)	Personnel Reductions
(\$346,659)	(\$380,944)	0	Salary Funding from Other Line Items
\$0	\$4,402	0	Civil Service Fees
(\$114,145)	(\$114,145)	0	Continuation of reductions imposed by Executive Order MJF 99-52 in FY 00-01
\$0	\$0	0	Other Technical Adjustments - Reduce IAT by \$80,000 and increase Other Charges to realign expenditures
\$0	\$0	0	Net Means Of Financing Substitutions - Replace Statutory Dedications with Fees and Self-generated Revenues to reduce the Oil and Gas F Fund to actual collections
(\$892,670)	\$0	0	Net Means Of Financing Substitutions - Replace State General Funds with Fees and Self-generated Revenues to support this program
<b>\$0</b>	<b>\$8,818,509</b>	<b>125</b>	<b>TOTAL RECOMMENDED</b>
<b>\$0</b>	<b>(\$1,215,690)</b>	<b>0</b>	<b>LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS</b>
<b>\$0</b>	<b>\$7,602,819</b>	<b>125</b>	<b>BASE EXECUTIVE BUDGET FISCAL YEAR 2000-2001</b>

			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL:
\$0	\$0	0	None
<b>\$0</b>	<b>\$0</b>	<b>0</b>	<b>TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL</b>
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$1,215,690	0	Funding for operation of this program using a Fees and Self-generated Revenue Package that revises application fees, regulatory fees, proc and various other fees
<b>\$0</b>	<b>\$1,215,690</b>	<b>0</b>	<b>TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE</b>
<b>\$0</b>	<b>\$8,818,509</b>	<b>125</b>	<b>GRAND TOTAL RECOMMENDED</b>

The total means of financing for this program is recommended at 95.1% of the existing operating budget. It represents 93.3% of the total request (\$9,447,590) for this program. The 4.4% from the existing operating budget is due to non-recurring acquisitions and major repairs, funding adjustment necessary to ensure adequate funding, with attrition, of 125 recommended positions includes 7 personnel reductions, and reductions imposed by Executive Order MJF 99-52 in FY 00-01.

## PROFESSIONAL SERVICES

This program does not have funding for Professional Services for Fiscal Year 2000-2001.

## OTHER CHARGES

\$44,010	GIS Site License, Environmental Systems Research Institutes, Inc. (ESRI)
\$18,000	Insurance recovery for equipment damaged by underwater obstructions
\$2,000,000	Interagency Transfer for the abatement of certain unauthorized discharges or the threat of discharges in cases in which the Commissioner certifies that a viable responsible party cannot be immediately located and provided that such funds shall only be used in the amounts for the specific purposes authorized by the Governor's Oil Spill Coordinator in accordance with procedures provided by the Oil Spill Coordinator
\$80,000	Legal services for oil and gas issues
<b>\$2,142,010</b>	<b>SUB-TOTAL OTHER CHARGES</b>

**Interagency Transfers:**

\$114,558	DNR - Office of the Secretary for support of data processing and legal sections
\$1,235	Division of Administration - State Register for publishing rules, etc.
\$114,592	Division of Administration - Rent in State-owned buildings (Lafayette District and Shreveport District Offices)
\$48,990	Division of Administration - Maintenance on State-owned buildings (Monroe and Shreveport District Offices)

**\$279,375 SUB-TOTAL INTERAGENCY TRANSFERS**

**\$2,421,385 TOTAL OTHER CHARGES**

**ACQUISITIONS AND MAJOR REPAIRS**

This program does not have funding for Acquisitions and Major Repairs for Fiscal Year 2000-2001.